

In the Specification:

On page 1, please replace the title with the following new title:

SYSTEM AND METHODS FOR ~~TRADING PROCESSING~~
MUTUAL FUNDS PURCHASE AND REDEMPTION ORDERS

On page 2, please replace paragraphs 2 and 3 with the following new paragraphs:

--This Application relates to a new process for the purchase (buying) and redemption (selling) (collectively, “~~trading processing~~”) of shares of mutual funds (i.e., share of open-end investment companies), known in this application as Exchange (and Market) Listed Fund (“ELF”) shares. More particularly, the application relates to placing orders for the purchase and redemption of the shares of any participating mutual fund, by any customer of any Member Firm of a Securities Exchange or Market Participant of a Securities Market, an Electronic Communications Network (“ECN”) or the ELF market, for end of the day, or periodic, settlement at the fund’s Net Asset Value (“NAV”), or clearing price.

Background of the Invention

Currently, traditional actively managed mutual funds are not listed on Securities Exchanges, or Securities Markets, or ~~electronic communications networks (“ECNs”)~~ (collectively, “Exchanges”), for intra-day, or end of day ~~trading processing~~, because (1) Exchanges have traditionally been markets for the intra-day price discovery of their listed securities among their

Member Firms or Market Participants (“Member Firms”) and their Member Firms’ customers;
~~and~~ (2) listed securities have a finite number of shares which are brought and sold on an exchange; open end mutual funds continuously offer shares, for payment, via purchases, and continuously redeem shares, for payment; and (3) traditional mutual funds, whether ‘load’ or ‘no-load’ funds, are purchased or redeemed after the calculation of the fund’s NAV, which is usually computed at the end of the trading day. NAV represents the total assets owned by the fund, less the total liabilities, divided by the number of shares outstanding. In practice, investors may invest in mutual funds by dollar—

On page 3, please replace paragraph 2 with the following new paragraph:

--Although specific brokerage firms do provide their customers with daily purchase and redemption services for mutual fund shares through their fund supermarkets or proprietary fund distribution systems, there are various shortcomings with such services. Such firms generally allow only selected funds into their systems and offer either ‘no-load’ funds with ‘no transaction fees’ or ‘transaction fees’, or ‘load’ funds to their customers. Fund supermarkets that offer ‘no transaction fee’ funds to investors generally charge those mutual funds and/or their investment advisers/distributors annual asset-based fees of up to ~~35~~ 40 basis points (e.g., ~~.0035~~.0040bps X \$1,000 of assets = ~~\$3.54~~\$4.00 per year). Often all or a portion of these fees are deducted from a fund’s NAV, resulting in a lower investment return for investors than might otherwise be the case. Fund supermarkets that offer ‘transaction fee’ funds generally charge investors higher fees to purchase or redeem ‘no-load’ mutual fund shares than to make regular stock trades. Sales

‘loads’ charged by brokers could cost investors a relatively significant percentage of their fund purchases.—

On page 4, please replace paragraphs 1, 2 and 4 with the following new paragraphs:

--available to all investors and industry participants. The system and method allows any customer of any Member Firm of an Exchange or Brokerage Firm connected to the ELF market to place purchase or redemption order(s) for Exchange/ELF market listed mutual fund (~~ELF~~), shares, at any time such firm allows placing of such orders, via an Exchange/ELF market, for end-of-day, or intra-day, settlement at NAV, or clearing price.--

-- It is another object of this invention to provide a system with universal connectivity among all investors and industry participants such that any investor may purchase or redeem any ELF share, through any Member Firm of which the investor is a customer or such Brokerage Firms connected to the ELF market, at any time such firm allows placing of such orders.--

-- There is thus the need for a system that increases mutual fund distribution among more investors and industry participants, reduces fund expenses and lowers distribution costs for funds, their investment advisors/distributors, and investors (thus increasing investor returns). The system is open to all funds that want to participate; all funds with assigned securities symbols (e.g., those 5 character symbols with suffix ‘X’ currently assigned to funds by the National Association of Securities Dealers Automated Quotation (“Nasdaq”)), or other symbols assigned by other assignment entities (e.g., Exchanges/ELF market), representing such fund shares, are eligible to participate.--

On page 5, please replace paragraphs 1-3 with the following new paragraphs:

--Thus in accordance with the invention there is provided a system for processing mutual fund order messages, including purchase and redemption transactions, comprising a server for receiving order messages from at least one of a plurality of designated Exchanges or Brokers, aggregating orders by fund, reformatting the order messages and transmitting the order messages to at least one of a plurality of Fund/Securities Clearing Agents for confirmation, clearing and settlement.

Moreover, there is provided a method for processing mutual fund order messages, including purchase and redemption transactions, comprising the steps of receiving order messages from at least one of a plurality of designated Exchanges or Brokers; aggregating orders by fund; reformatting the order messages; and transmitting the order messages to at least one of a plurality of Fund/Securities Clearing Agents for confirmation, clearing and settlement.

Further, in another embodiment of the invention there is provided a method for processing mutual fund order messages, including purchase and redemption transactions, comprising the steps of receiving order messages at an Exchange/ELF market from at least one Member Firm; matching and executing order messages; and transmitting the matched and executed order messages to at least one of a plurality of Member Firms for confirmation and to at least one of a plurality of Funds/Securities Clearing Agents for clearing and settlement.—

On page 6, please replace paragraphs 2 and 3 with the following new paragraphs:

--FIG. 1 represents a system for ~~trading~~ processing exchange listed funds fund purchase and redemption orders, in accordance with the invention.

FIG. 2a represents methods for ~~trading~~ processing exchange listed fund purchase and redemption orders using the system of FIG. 1.

FIG. 2b represents method for NAV ~~trading~~ processing of exchange listed fund purchase and redemption orders using the system of FIG.1.

FIG. 2c represents method for Intra-Day trading of exchange listed fund purchase and redemption orders using the system of FIG.1.

FIG. 3 represents a prior art example of a standard Exchange Equity Order Entry Form(at).

FIG. 4 represents a prior art example of a Fund Order Entry Form (e.g., a Fund/SERV Order Form)

Detailed Description of the Drawings

Referring to Fig. 1, any Investor 100 using the system can place orders to purchase or redeem ELF shares through one or more Exchange(s) 300 via any registered broker of an Exchange Member Firm 200 or any broker connected to the ELF market. Moreover, all participating funds listed on the Exchange(s) and their fund (ELF) shares, are available for ~~sale~~ purchase or redemption by all Member Firms 200. Mutual funds already having designated securities symbols, or other assigned representative symbols, qualify such funds to be Exchange Listed Funds (ELFs). Investor 100 can purchase ELF shares of all—

On page 9, please replace paragraph 2 with the following new paragraph:

--The ELF System Server 400 receives order information from Member Firm 200 by Fund 700, type of order, and time of entry, etc. The ELF System Server 400 processes and transmits order information to the ELF Database 500, updates same, and allows access by ELF Web Server 450. Member Firm 200 and Funds 700 (and other ELF System Participants) may identify and follow their ELF orders through password protected inquiries, via the ELF Web Server 450. The ELF Web Server 450 may publish ELF market information such as ELF's NAV, intra-day trading volume, any NAV changes reported and other information in real-time, or summarized, over a network such as the Internet, for public access, in addition to password protected access by designated Participants. The Exchange 300 ~~trading~~ processing system also gives Member Firm 200 access to ELF order status via the customer services facilities currently employed by the Exchange(s) 300 for other Exchange 300 traded securities.—

On page 10, please replace paragraphs 1 and 2 with the following new paragraphs:

--The ELF System Server 400 may include several processors (not shown) coupled together. The ELF System Server 400 electronically aggregates orders, reformats the ELF standard Exchange Equity Order Entry information (FIG.3.) into the Fund Order Entry Format (see FIG.4.), and transmits that order information to the Fund/Securities Clearing Agent 600, in real-time, single, batch, or multi-batch, throughout the day, or at the end of the day for execution, confirmation, and clearing, once or more per day, and settlement, at NAV, once or more daily. Moreover, the ELF System Server 400 and ELF Database 450, via ELF Web Server 450,

provides Member Firms 200 with access to real-time, and/or summarized information related to submitted orders.

The Fund/Securities Clearing Agent 600 electronically forwards, individual, or netted/crossed/ aggregated, ELF orders to individual Funds / Transfer Agents 700, via communication channel 900 for processing, confirmation, clearing and settlement, which includes fund issuance and redemption of shares by the mutual fund issuer.—

On page 12, please replace paragraph 2 with the following new paragraph:

--In step 3, the Member Firm 200 uses the firm's pre-existing trading order management system to process the order. The Firm's pre-existing ~~trading~~ system formats the data of such order(s) according to the requirements of the then current communications facility and/or routing systems (e.g., currently the Securities Industry Automation Corporation (SIAC) for the New York Stock Exchange and the American Stock Exchange, or other such services as those used by Nasdaq or other Exchanges), which electronically link, and provide communications channels 900 and means by which the Member Firms 200 transmit and receive securities order information to and from the designated Exchange(s) 300 on which the ELF shares are listed and traded. A prior art example of a standard Exchange Equity Order Entry Format is shown in FIG. 3.—

On page 13, please replace paragraphs 1-5 with the following new paragraphs:

--securities order, or by such other means as are operationally efficient (e.g., if the Member Firm 200 had netting/crossing/aggregation capabilities (by fund), they might only transmit/route netted/crossed/aggregated orders to the designated Exchange 300).

In step 4, the designated Exchange's 300 order processing system would identify the transaction(s) as an ELF transaction(s) based on the ELF symbols (e.g., the current Nasdaq five (5) character symbol with an 'X' appended thereto, or by an ELF fund symbol look-up table), and determine whether to route such orders to the ELF NAV trading processing system, or to the ELF Intra-Day trading processing system. ELF orders for NAV Trading processing are routed to the ELF System Server 400 (FIG.2b) and ELF orders for Intra-Day Trading processing which remain within the Exchange market for matching and execution (FIG. 2c) and, if applicable, later routed from Exchange 300 to ELF System Server 400 for NAV Trading processing.

Referring to FIG. 2b, method of NAV Trading processing using system in FIG. 1 is described.

In step 5 of FIG. 2b, ELF System Server 400 receives all ELF orders for NAV trading ~~including ELF orders which have not been executed as a matched trade on the Exchange 300,~~ processing from the Exchange 300, periodically (if applicable), or at the end of the day.

In step 6, the ELF System Server 400 records ELF orders from Exchange 300 (step 5), and receives and records additional ELF purchase and redemption orders from Exchange 300

(FIG. 2c, step D) for end-of-day, or periodic (if applicable), NAV-~~Trading~~ processing. The ELF System Server 400 processes any updates or actions against such related orders in the ELF Database—

On page 14, please replace paragraphs 2 and 3 with the following new paragraphs:

--In step 7, the ELF System Server 400 reformats the ELF order information received from Member Firm 200 in standard Exchange Equity Order Entry Format into the data formats required by the Fund Order Entry Form (example in FIG. 4), and such reformatted order information is electronically forwarded to the Fund/Securities Clearing Agent 600 in real-time, single, batch, or multi-batch, throughout the day, or at the end of the day, through established electronic communication channel 900 to the Fund/Securities Clearing Agent 600 for execution, confirmation, clearing, and settlement, at NAV, which includes fund issuance and redemption of shares by the mutual fund issuer.

In step 8, the Fund/Securities Clearing Agent 600 electronically forwards, individual, or netted/crossed/aggregated, ELF orders to individual Funds / Transfer Agents 700 for processing and confirmation, which includes fund issuance and redemption of shares by the mutual fund issuer, along communication channel 900 established between the Fund/Securities Clearing Agents 600 and the Funds/Transfer Agents 700, in accordance with the Fund/Securities Clearing Agent's 600 policies and procedures.—

On page 15, please replace paragraph 3 with the following new paragraph:

--In step 11, the ELF System Server 400 reformats the ELF share order confirmation information received from the Fund/Securities Clearing Agent 600 back into the standard data formats required by the Exchange 300 and Member Firm 200 communications protocols and electronically forwards such order confirmations to ordering Member Firm(s) 200 through the Exchange(s) 300, in real-time, or delayed, through communication channels 900 currently established for ~~such~~ traditional securities trade confirmation purposes.—

On page 16, please replace paragraph 1 with the following new paragraph:

participant every business day, and corresponding ELF share ~~movements~~ issuance and redemption via Fund/Securities Clearing Agent 600 or Depository 700.

On page 17, please replace paragraph 5 with the following new paragraph:

--In step G, the Fund/Securities Clearing Agent 600 provides for automated clearing and settlement of confirmed purchases and redemptions of book-entry ELF shares, which are registered in street name by the fund for Fund/Securities Clearing Agent 600 and/or Depository 800 Participants (e.g., money settlement currently through NSCC's Continuous Net Settlement System (CNS) and NSCC's Daily Money Settlement System) in consolidation with other Fund/Securities Clearing Agent 600 settlements to produce a net debit or credit position for each Participant every business day, and corresponding ELF share ~~movements~~ issuance and redemption via Fund/Securities Clearing Agent 600 or Depository 800.—